



Economic Impact Analysis Virginia Department of Planning and Budget

3 VAC 5-70 – Other Provisions Alcoholic Beverage Control Board November 2, 2006

Summary of the Proposed Regulation

The Alcoholic Beverage Control Board (ABC) proposes to make several amendments to its regulation which covers miscellaneous issues not addressed by other agency regulations.

ABC proposes to:

- Amend a provision which allows gifts of alcoholic beverages from ABC licensees to reflect recent changes to the Code of Virginia by specifically listing code sections which allow such gifts.
- Exempt individual importers from having to report price increases to themselves.
- As required by the recent acts of the General Assembly, allow farm wineries to operate five remote retail locations.
- Codify board policy that allows the sale of full, unopened designer or vintage spirits bottles at auction

Result of Analysis

The benefits likely exceed the costs for these proposed regulatory changes.

Estimated Economic Impact

Current regulation allows licensees to give gifts of alcohol beverages in very limited situations. Licensees may make such gifts to friends. Wholesaler licensees may give samples to retail licensees. Wineries and breweries may give out free samples for on-site consumption (in a board-approved hospitality room). Licensees may donate alcoholic beverages for consumption at a trade association gathering or to an educational institution for the purposes of alcoholism

research. Wine and beer wholesalers may participate in wine or beer tastings at gourmet shops licensed by ABC. The board proposes to amend this regulation to reflect recent code changes which will also allow licensees to participate in wine and beer tastings at licensed retail establishments. This change will benefit the public in that they will not have the potential to get conflicting information about what is allowable from the two sources where they would be most likely to look.

Current regulation requires that importers give written notice of all price increases to their customers that hold wholesaler licenses. No price increase may become effective until at least 30 days after the postmark date on the written notice. The board proposes to amend this provision so that importers who also hold wholesaler licenses do not have to notify themselves in writing when they increase their prices. This change will benefit affected regulations by saving them the costs in time and money (for paper, an envelope and a stamp) of mailing information to themselves.

Current regulation allows farm wineries to operate two remote retail operations (in addition to selling their product on-site). A recent change to the Code of Virginia allows these wineries to operate five remote retail operations. The board proposes to amend this regulation so that this allowance is reflected. This change will benefit the public in that they will not have the potential to get conflicting information about what is allowable from the two sources where they would be most likely to look.

While ABC currently has a policy that allows the sale of designer or vintage spirits bottles at auction (and has had such a policy since 1998), current regulation does not contain any provision for such sales. The board proposes to amend this regulation so that the procedure for these sales is codified. Since it has been ABC's long-standing policy to allow the sale of designer or vintage spirits bottles at auction, this regulatory change will have little or no appreciable effect on regulants.

Businesses and Entities Affected

These proposed regulatory changes will generally affect all of the approximately 14,000 establishments that are licensed by ABC.

Localities Particularly Affected

These proposed regulatory changes will affect all localities in the Commonwealth.

Projected Impact on Employment

These proposed regulatory changes will likely have no measurable effect on employment in the Commonwealth.

Effects on the Use and Value of Private Property

These proposed regulatory changes will likely have no measurable effect on the use or value of private property in the Commonwealth.

Small Businesses: Costs and Other Effects

ABC estimates that at least 95% of their approximately 14,000 licensees are small businesses. These businesses are unlikely to experience any price increase on account of this proposed regulation.

Small Businesses: Alternative Method that Minimizes Adverse Impact

ABC estimates that at least 95% of their approximately 14,000 licensees are small businesses. These businesses are unlikely to experience any price increase on account of this proposed regulation.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other

administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.